



Evolve ETFs

Evolve E-Gaming Index ETF

June 30, 2021

Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 40 King Street West, Suite 3404, Toronto, ON, M5H 3Y2 or by visiting our website at www.evolveetfs.com or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Evolve E-Gaming Index ETF

June 30, 2021

Investment Objective and Strategies

The Evolve E-Gaming Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive eGaming Index (the "Benchmark"), or any successor thereto. The Fund primarily invests in equity securities of companies listed domestically and globally, and other issuers, with business activities in the gaming industry.

Risk

There were no changes to the Fund over the period of this report that materially affected the level of risk associated with an investment in the Fund. Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

Results of Operations

For the six-month period ended June 30, 2021, the Hedged ETF Units returned 6.7% versus the Solactive eGaming Index PR CAD Hedged return of 7.2%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes and to portfolio trading and hedging strategies. The Fund's net assets were \$79.0MM as at June 30, 2021.

Portfolio Manager Commentary

Final 2020 tallies for the gaming industry were released in January by NPD Group and showed record US games spending of \$56.9 billion during the year. That represents a 27% increase year-on-year from 2019. These figures were driven partly by increasing numbers of people turning to gaming as a pastime during the pandemic lockdowns.

Software represented the lion's share (86%) of this figure, with game content spending reaching \$48.9 billion in 2020. Software sales included physical and digital games, DLC, and subscriptions across console, cloud, mobile, portable, PC, and VR platforms. This represents a 26% increase over 2019 software sales.

Hardware sales saw even bigger growth on a percentage basis, with console revenue of \$5.3 billion last year, up 35% from \$3.9 billion in 2019. 2020 was the best year for console sales since 2011 when the Xbox 360 and Nintendo 3DS released.

Gaming accessories sales also increased 21% in 2020, for a total of \$2.6 billion.

Call of Duty: Black Ops Cold War (published by Fund holding Activision Blizzard) was the best-selling game of 2020—the 12th year in a row for a game in the Call of Duty franchise. In all, games by companies held in the Fund represent all 5 of the top 5 best-selling games of 2020, as well as 8 of the top 10, and 13 of the top 20. (i)

While not directly affecting the holdings of the Fund, the gaming industry was roiled in January by the trading saga of GameStop stock. Online investment communities, driven primarily by the WallStreetBets subreddit, took advantage of an unusually high number of short-sellers betting against the gaming retailer to buy shares en masse and drive up the price, as well as short-seller losses. At one point, GameStop's share price spiked 135% in less than 24 hours and was up more than 700% in less than a week. (ii)

Amidst the volatility Melvin Capital, the hedge fund singled out by the online investors for its shorting of GameStop stock, was forced to close out its entire position, taking a massive loss.(iii)

President Joe Biden signed an executive order in February ordering a 100-day review of supply chains for four critical products, including semiconductor chips. The ongoing pandemic-induced shortage of semiconductor chips has affected various industries reliant on the components, including the electronic gaming industry. The newest generation of game consoles from Playstation and Xbox, and high-end graphics cards used in PCs, are suffering in light of the shortage. Supply constraints with semiconductor chips have held back sales of both new PlayStation and Xbox consoles. As a result, neither is outpacing sales of the previous iterations of the consoles. Microsoft's chief financial officer Amy Hood said the company expects Xbox sales to "still be constrained by supply" during the first quarter of 2021.(iv)

The 11th Annual Game Publisher Rankings were released in March by review aggregator site Metacritic. Metacritic's ranking is calculated based on four factors: average Metascore, percentage of scored products with good reviews, percentage of scored products with bad reviews, and number of "great" titles (Metascore of 90 or higher). Three of the Fund's holdings ranked in the top five, with Sega at number one, alongside Capcom (#3) and Activision Blizzard (#5).(v)

Evolve E-Gaming Index ETF

June 30, 2021

A new report from Accenture estimates the value of the global gaming industry already exceeds \$300 billion—surpassing the movies and music industry combined and resonating with all ages and demographic groups. Roughly \$200 billion of this is in direct spending on consoles, software and subscriptions, in-game purchases, and mobile advertisement revenues, while another \$100 billion comes from mobile devices, gaming PCs, peripherals, and gaming-related products and services. The fastest-growing segment of the gaming industry is mobile gaming, thanks to the widespread adoption of smartphones globally coupled with increasingly easy access to high-speed internet. App Annie's State of Mobile Gaming 2021 report indicates that casual mobile games led the way in terms of downloads, comprising 78% of all game downloads compared with 20% for core games and 2% for casino.(vi)

In related news, Newzoo released a study estimating that cloud gaming should generate \$1.4 billion by the end of 2021, which is twice the research firm's estimate for 2020. The increase is attributed to the growth in the number of users, the increase in cloud services from companies like Microsoft, Amazon, and Facebook, and increased interest from consumers in cloud gaming as a result of the pandemic. Newzoo further predicts that the market will be \$5.14 billion by the end of 2023. (vii)

In June, investment bank Drake Star Partners reported that acquisitions, public offerings, and other investments in the games industry reached \$60 billion during the first half of 2021, nearly doubling the \$33.6 billion invested in all of 2020.

Of the 635 deals announced and/or closed during the first six months of 2021, the 169 mergers and acquisitions represented the highest value, with a total of \$23 billion US. By segment, there were 51 M&As in the PC/console sector, 44 in mobile, 38 in esports, 28 in hardware/tools, and 8 in platform.

Among the acquisition highlights of the first half of the year, the report cites the closing of the \$7.5 billion Microsoft acquisition of Zenimax (first announced in September 2020), EA's acquisition of Glu for \$2.1 billion, EA's June all-cash acquisition of Playdemic for \$1.4 billion, the \$43 billion WarnerMedia/Discovery deal, and Take-Two's \$378 million acquisition of Nordeus.

Performance Attribution

For the first six months of 2021, Sea Ltd made the biggest contribution to the Fund, followed by Bilibili Inc, and NetEase Inc. By weight, the Fund's largest exposure over the first six months of 2021 was to Sea Ltd, NetEase Inc, and Activision Blizzard Inc.

(i) <https://www.gamesindustry.biz/articles/2021-01-15-2020-sees-record-us-games-spending-at-usd56-9bn-us-annual-report>

(ii) <https://www.gamesindustry.biz/articles/2021-01-27-gamestop-stock-up-135-percent-in-24-hours-biden-administration-monitoring-the-situation>

(iii) <https://www.gamesindustry.biz/articles/2021-01-28-hedge-fund-melvin-capital-pulls-out-of-gamestop-trading>

(iv) <https://www.gamesindustry.biz/articles/2021-02-25-president-biden-orders-review-of-semiconductor-shortage-amid-ps5-xbox-stock-problems>

(v) <https://www.metacritic.com/feature/2021-game-publisher-rankings-summary-table>

(vi) <https://www.accenture.com/us-en/insights/software-platforms/gaming-the-next-super-platform>

(vii) <https://www.gamesindustry.biz/articles/2021-03-25-cloud-gaming-expected-to-hit-usd1-4-billion-in-revenue-this-year>

Recent Developments

In the year 2020, COVID-19 became a global pandemic and resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in the financial markets and have had an enormous impact on businesses and consumers in all sectors. The duration and impact of these developments is unknown at this time and as such, the financial impact to investments cannot be estimated.

Related Party Transactions

Evolve Funds Group Inc. (the "Manager") complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Investment Review Committee.

Evolve E-Gaming Index ETF

June 30, 2021

Management Fees

The management fees are calculated based on 0.70% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the six-month period ended June 30, 2021, the Fund incurred \$301,338 in management fees. These management fees were received by the Manager for the day-to-day operations of the fund, including managing the portfolio, maintaining portfolio systems used to manage the Fund, maintaining the www.evolveetfs.com website, and providing all other services including marketing and promotion.

Administration Fees

The administration fees are calculated based on 0.15% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the six-month period ended June 30, 2021, the Fund incurred \$64,573 in administration fees. These administration fees were received by the Manager for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; Registrar and Transfer Agent and Custodian; any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; IRC committee member fees and expenses in connection with the IRC; expenses related to compliance with NI 81-107; fees and expenses relating to voting of proxies by a third party; insurance coverage for the members of the IRC; fees payable to the auditors and legal advisors of the Fund; regulatory filing, stock exchange and licensing fees and CDS fees; costs and expenses of complying with all applicable laws, regulations and policies, including expenses and costs incurred in connection with the continuous public filing requirements such as permitted prospectus preparation and filing expenses; and legal, accounting and audit fees and fees and expenses of the Trustee, Custodian and Manager which are incurred in respect of matters not in the normal course of the Fund's activities. The administration fee paid to the Manager by the Fund may, in any particular period, be less than or exceed the operating expenses that the Manager incurs for the Fund.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the period indicated.

The Fund's Net Assets Per Unit¹

For the periods ended:	June 30, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
Hedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	37.14	22.31	20.00
Increase (decrease) from operations:			
Total revenue	0.13	0.26	0.16
Total expenses	(0.24)	(0.47)	(0.24)
Realized gains (losses)	2.86	2.20	0.11
Unrealized gains (losses)	(1.36)	14.89	2.50
Total increase (decrease) from operations²	1.39	16.88	2.53
Distributions:			
From income (excluding dividends)	(0.10)	-	-
From capital gains	-	(0.06)	-
Return of capital	-	-	(0.03)
Total annual distributions³	(0.10)	(0.06)	(0.03)
Net Assets per Unit, end of period	39.51	37.14	22.31

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2021 and the audited annual financial statements as at December 31, 2020 and 2019. The Fund effectively began operations on June 13, 2019.

2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

3 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.

Evolve E-Gaming Index ETF

June 30, 2021

The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2021	December 31, 2020	December 31, 2019
Hedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	79,020,144	41,783,501	2,231,075
Number of units outstanding ⁴	2,000,000	1,125,000	100,000
Management expense ratio ⁵	0.96%	0.96%	0.99%
Trading expense ratio ⁶	0.19%	0.42%	0.98%
Portfolio turnover rate ⁷	31.85%	31.35%	28.57%
Net Asset Value per unit (\$)	39.51	37.14	22.31
Closing market price (\$)	39.60	37.26	22.32

4 This information is provided as at June 30, 2021 and December 31, 2020 and 2019.

5 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

7 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

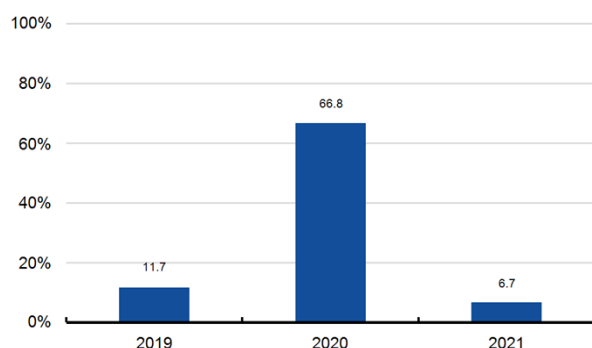
Past Performance

The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the investment fund. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart below shows the Hedged ETF Units' performance for each of the financial years shown and for the six-month period ended June 30, 2021. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial year would have grown or decreased by the last day of each financial year.

HERO Hedged ETF Units¹



1 The Hedged ETF Units of the Fund effectively began operations on June 13, 2019.

Evolve E-Gaming Index ETF

June 30, 2021

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
NetEase Inc., ADR	10.9
Sea Limited, ADR	10.7
Activision Blizzard Inc.	9.9
Nintendo Company Limited, ADR	9.8
Roblox Corporation	7.8
Electronic Arts Inc.	7.6
Bilibili Inc., ADR	6.2
Take-Two Interactive Software Inc.	3.8
NEXON Company Limited	3.5
NCSOFT Corporation	3.0
Embracer Group AB	2.1
Zynga Inc.	2.1
Netmarble Corporation	1.9
Ubisoft Entertainment SA, ADR	1.6
Konami Holdings Corporation	1.6
Koei Tecmo Holdings Company Limited	1.5
Capcom Company Limited	1.4
Square Enix Holdings Company Limited	1.1
CD Projekt SA	0.9
Pearl Abyss Corporation	0.9
Kakao Games Corporation	0.8
Sega Sammy Holdings Inc.	0.7
Stillfront Group	0.6
XD Inc.	0.6
DeNA Company Limited	0.5
Total	91.5

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	98.9
Consumer Discretionary	0.9
Information Technology	0.2
Derivative Assets	0.1
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(0.2)
Total	100.0

The summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund. Updates are available quarterly by visiting our website at www.evolveetfs.com.



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